Uncompensated Care Pool
PFY02 Annual Report

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Uncompensated Care Pool PFY02 Annual Report

A Word About the Division

The Division of Health Care Finance and Policy collects, analyzes and disseminates information with the goal of improving the quality, efficiency and effectiveness of the health care delivery system in Massachusetts. In addition, the Division administers the Uncompensated Care Pool, a fund that reimburses Massachusetts acute care hospitals and community health centers for services provided to uninsured and underinsured people.

Satisfying the Need for Health Care Information

The effectiveness of the health care system depends in part upon the availability of information. In order for this system to function properly, purchasers must have accurate and useful information about quality, pricing, supply and available alternatives. Providers need information on the productivity and efficiency of their business operations to develop strategies to improve the effectiveness of the services they deliver. State policy makers need to be advised of the present health care environment, as they consider where policy investigation or action may be appropriate.

As part of its health care information program, the Division publishes reports that focus on various health care policy and market issues.

Mission

To improve the delivery and financing of health care by providing information, developing policies, and promoting efficiencies that benefit the people of Massachusetts. Agency goals:

- Assure the availability of relevant health care delivery system data to meet the needs of health care purchasers, providers, consumers and policy makers;
- Advise and inform decision makers in the development of effective health care policies;
- Develop health care pricing strategies that support the cost effective procurement of high quality services for public beneficiaries; and
- Improve access to health care for low-income uninsured and underinsured residents.

Section 1: Introduction

Chapter 47 of the Acts of 1997 requires the Division of Health Care Finance and Policy to file annual reports on the status of the Uncompensated Care Pool (the Pool) with the Executive Office of Health and Human Services and the Joint Committee on Health Care.

This report contains complete information on PFY02 (Pool Fiscal Year 2002). It contains a significant amount of technical information about the Pool, including an update on the status of the Pool, the sources of funding for uncompensated care in Massachusetts, and the uses of Pool funds. It also contains detailed information on Pool liability to hospitals, information on payments to community health centers, Pool surplus/shortfall analyses, and information on final settlements with hospitals. Finally, this report contains information on current Pool management initiatives.

Calculations contained in this report are based upon the most recently available data from the Division of Health Care Finance and Policy. The Division uses a Pool Fiscal Year (PFY) for its calculations, which corresponds to hospitals' fiscal year (October 1 to September 30). This report contains the most up-to-date figures available for PFY02. See Section 6 for a discussion of Pool expense projections and Section 7 for a discussion of Pool settlements.

Section 2: Uncompensated Care Pool

The Uncompensated Care Pool pays for medically necessary services provided by acute care hospitals and community health centers (CHCs) to low-income uninsured and underinsured people. Patients can apply for free care at any acute care hospital or CHC.

The Massachusetts legislature established the Uncompensated Care Pool in 1985 as a financing mechanism to distribute the burden of bad debt and provide free care (together known as "uncompensated care") more equitably among acute care hospitals. The creation of the Pool was intended to help pay for the costs of providing care to the uninsured, and also to eliminate financial disincentives that a hospital might have to providing such care. Since its creation, the Pool has evolved into a key component of the Commonwealth's health care safety net, helping to ensure access to needed health care services for people with no other source of health care coverage.

The Uncompensated Care Pool is only one part of the Commonwealth's network of health care initiatives for low-income uninsured and underinsured individuals. The Division has been careful to manage the Pool to best serve the needs of the people who access health care through the Pool. Our goals are to improve the efficiency and effectiveness of the Pool, while at the same time improving the quality of care and reducing costs. For more information about the Uncompensated Care Pool, please contact the Division at (617) 988-3100, or visit our web site at www.mass.gov/dhcfp.

Section 3: Sources of Funds

The Uncompensated Care Pool is primarily funded from three sources: an assessment on acute hospitals' private sector charges; a surcharge on payments made to hospitals and ambulatory surgical centers by payers, including HMOs, insurers, and individuals; and an annual appropriation from the Commonwealth's General Fund. Smaller amounts from other sources may also be available in some years. Table 1 (below) summarizes the sources and amounts of funding available to the Pool in Pool Fiscal Year 2002. Detailed information about these funding sources follows.

Hospitals

The total amount paid by all Massachusetts hospitals into the Uncompensated Care Pool is established by the legislature. In the state FY02 budget the legislature lowered the total hospital assessment from $215 million to $170 million. Each individual hospital's assessment is calculated by multiplying the hospital's private sector charges by the uniform allowance. The uniform allowance is calculated by dividing the total assessment, $170 million, by the total private sector charges from all hospitals statewide, and is currently approximately 1.739% (See Table 4 on pages 14-17 for each hospital's annual liability to the Pool.)

Table 1: Uncompensated Care Funding

	PFY02
Statutory Funding	
Hospital Assessment	$170,000,000
Surcharge on Payments to Hospitals	$100,000,000
State Appropriation	$30,000,000
Total Uncompensated Care Pool Funding	$300,000,000
Other Funds	
Intergovernmental Funds Transfer (IGT)	$70,000,000
Transfer from Medical Security Trust	$90,000,000
Transfer from the Tobacco Settlement Fund	$12,000,000
Total Funds Available for Uncompensated Care	$472,000,000

Surcharge

The total amount to be collected via the surcharge is also established by the Massachusetts legislature. The Division of Health Care Finance and Policy sets the surcharge percentage at a level to produce $100 million. If the Division collects more than $100 million in one year, the Division reduces the surcharge percentage in subsequent years. The surcharge percentage was 3.0% for PFY00, 1.8% for PFY01, 2.15% for PFY02 and will be 1.85% for PFY03.

In order to develop an effective and equitable surcharge collection system, the Division established a surcharge workgroup to solicit input and advice from interested parties. This group—comprised of HMOs, commercial insurers, the Massachusetts Hospital Association, business and labor representatives, and providers—continues to offer its assistance as the Division looks to make process improvements to the surcharge payment system.

Surcharge Collections

Over 1,000 registered surcharge payers are currently making and reporting monthly payments to the Uncompensated Care Pool. Table 2 below lists the top surcharge payers and their contributions. Both providers and payers file reports with the Division of Health Care Finance and Policy that are analyzed to ensure that surcharge payers are paying appropriate surcharge amounts. For example, hospitals and ambulatory surgical centers report possibly unregistered payers so that the Division may initiate appropriate follow-up.

Currently, the Division is developing more automated ways for providers and payers to comply with reporting requirements, which will also assist the Division in its analysis and monitoring responsibilities. The cooperation of payers and providers on all levels has contributed to the Division's successful ongoing administration of the surcharge.

Table 2: Surcharge Collections

Surcharge Payer	Collections PFY02	% to Total PFY02
BCBS Massachusetts	$34,422,310	38%
Tufts HMO	12,640,334	14%
HPHC	9,801,199	11%
Total Health Plan	3,841,194	4%
Connecticut General Life	3,697,385	4%
Aetna	3,080,291	3%
Unicare Life & Health	2,864,803	3%
United Health Care	2,169,816	2%
Fallon Community Health Plan	1,611,293	2%
Health New England	1,289,918	1%
All Others	16,283,250	18%
Total	**$91,701,793**	**100%**

Surcharge percentage in effect: 2.15%

General Fund

The legislature also appropriates $30 million annually to the Uncompensated Care Pool. This amount is a portion of the federal matching funds (FFP) generated by the Pool. For PFY03 the legislature increased the appropriated amount to $45 million as a one-time increase to help offset the lowered hospital assessment.

Additional Funding for Uncompensated Care

Since state Fiscal Year 1998, the Commonwealth has been able to access an additional $70 million in federal funds annually through an intergovernmental funds transfer (IGT). These funds, which are appropriated each year in the state budget, are paid by the Division of Medical Assistance to Boston Medical Center ($51.8 million) and Cambridge Health Alliance ($18.2 million) at the beginning of the state fiscal year (July). Free care provided by these two hospitals is funded first from the IGT, and the remainder is paid by the Pool. The FY02 state budget transferred $102 million from the Medical Security Trust Fund to offset shortfalls in PFY01 ($12 million) and PFY02 ($90 million). This transfer was established in line-item 1000-0001 of the FY02 state budget (Chapter 177 of the Acts of 2001). Finally, the FY03 state budget transferred $12 million from the Tobacco Settlement Fund to PFY02 and $30 million was allocated to PFY03. This was established in O.S. 192 and O.S. 214 of the FY03 state budget (Chapter 184 of the Acts of 2002).

Section 4: Uses of Funds

Figure 1 (below) summarizes the distribution of funds for uncompensated care to hospitals for inpatient services, to hospitals for outpatient services, to community health centers, and to the Pool demonstration projects. It also shows the shift in payments for inpatient and outpatient care, as hospitals have shifted to providing more care in outpatient settings. Tables 3, 4, 5, and 6 provide additional detail on payments made from the Uncompensated Care Pool.

Uncompensated Care Charges for PFY02

Hospitals report to the Pool on the distribution of uncompensated care among the allowable categories: full free care, partial free care, medical hardship, and emer-

Figure 1: Uncompensated Care Payments

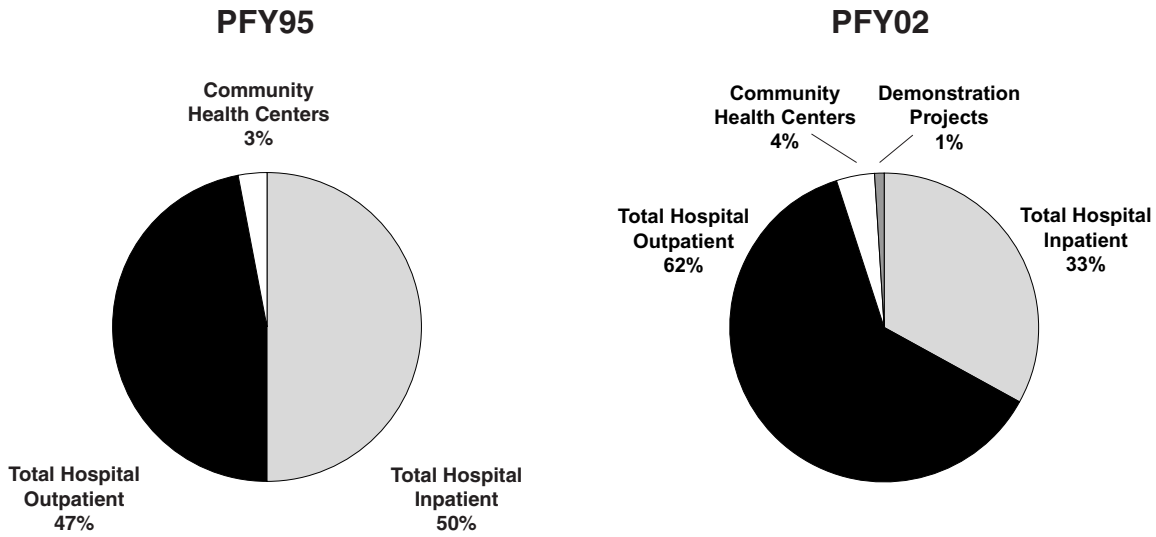

Table 3: Uncompensated Care Charges for PFY02

Hospital	Inpatient Emergency Bad Debt	Inpatient Free Care	Total Allowable Inpatient Free Care	Outpatient Emergency Bad Debt
Anna Jaques Hospital	$ 245,421	$ 1,034,073	$ 1,279,494	$ 836,513
Athol Memorial Hospital	17,904	136,745	154,649	243,510
Baystate Medical Center	551,375	8,418,947	8,970,322	2,189,370
Berkshire/Hillcrest	274,907	3,046,044	3,320,951	898,047
Beth Israel Deaconess Medical Center	3,070,639	9,818,319	12,888,958	4,248,871
Boston Medical Center	2,788,995	53,454,817	56,243,812	12,828,767
Brigham & Women's Hospital	4,316,964	22,848,179	27,165,143	2,787,678
Brockton Hospital	1,399,604	4,465,518	5,865,122	3,903,388
Cambridge/Somerville Hospital	5,419,505	39,542,829	44,962,334	8,535,635
Cape Cod Hospital	695,278	2,008,403	2,703,681	1,458,095
Caritas Norwood	378,748	1,061,491	1,440,239	977,584
Carney Hospital	1,189,986	2,082,169	3,272,155	2,076,259
Children's Hospital	1,904,892	5,034,039	6,938,931	1,284,458
Clinton Hospital	43,860	929,045	972,905	236,863
Cooley Dickinson Hospital	183,021	1,308,701	1,491,722	439,595
Dana-Farber Cancer Institute	-	144,753	144,753	-
Deaconess Glover Hospital	13,294	171,439	184,733	190,620
Deaconess Nashoba	102,153	170,551	272,704	521,016
Deaconess Waltham	336,180	802,830	1,139,010	1,103,175
Emerson Hospital	617,702	1,010,303	1,628,005	484,853
Essent Health/Merrimack Valley	148,950	381,577	530,527	898,954
Fairview Hospital	9,790	344,558	354,348	193,555
Falmouth Hospital	320,242	875,217	1,195,459	460,790
Faulkner Hospital	779,658	1,656,560	2,436,218	1,350,220
Franklin Medical Center	216,153	1,294,373	1,510,526	367,160
Good Samaritan Medical Center	221,378	1,707,900	1,929,278	1,616,098
Hallmark Health	559,369	1,595,232	2,154,601	1,806,174
Harrington Memorial Hospital	13,684	623,416	637,100	323,640
Health Alliance	649,530	1,164,037	1,813,567	906,822
Henry Heywood Memorial Hospital	199,816	763,587	963,403	1,280,460
Holy Family Hospital	563,580	1,900,263	2,463,843	1,318,057
Holyoke Hospital	96,651	1,108,419	1,205,070	662,982
Hubbard Regional Hospital	90,521	95,147	185,668	632,742
Jordan Hospital	271,709	565,194	836,903	1,076,404
Lahey Clinic Hospital, Inc.	1,835,948	1,371,435	3,207,383	2,229,194
Lawrence General Hospital	663,416	2,088,010	2,751,426	3,247,125
Lowell General Hospital	225,580	1,376,623	1,602,203	674,078
Marlborough Hospital	184,359	934,554	1,118,913	990,601
Mary Lane Hospital	75,050	337,699	412,749	398,517
Mass. Eye & Ear Infirmary	86,873	372,799	459,672	28,026

Outpatient Free Care	Total Allowable Outpatient Free Care	Net Total Emergency Bad Debt	Net Total Free Care	Net Total Allowable Free Care
$ 496,882	$ 1,333,395	$ 1,081,934	$ 1,530,955	$ 2,612,889
440,981	684,491	261,414	577,726	839,140
6,136,318	8,325,688	2,740,745	14,555,265	17,296,010
2,076,525	2,974,572	1,172,954	5,122,569	6,295,523
19,271,077	23,519,948	7,319,510	29,089,396	36,408,906
177,275,617	190,104,384	15,617,762	230,730,434	246,348,196
18,475,517	21,263,195	7,104,642	41,323,696	48,428,338
7,323,938	11,227,326	5,302,992	11,789,456	17,092,448
69,279,630	77,815,265	13,955,140	108,822,459	122,777,599
2,678,178	4,136,273	2,153,373	4,686,581	6,839,954
965,003	1,942,587	1,356,332	2,026,494	3,382,826
898,332	2,974,591	3,266,245	2,980,501	6,246,746
2,841,622	4,126,080	3,189,350	7,875,661	11,065,011
357,052	593,915	280,723	1,286,097	1,566,820
1,180,912	1,620,507	622,616	2,489,613	3,112,229
2,409,086	2,409,086	-	2,553,839	2,553,839
142,468	333,088	203,914	313,907	517,821
297,490	818,506	623,169	468,041	1,091,210
554,893	1,658,068	1,439,355	1,357,723	2,797,078
876,094	1,360,947	1,102,555	1,886,397	2,988,952
335,761	1,234,715	1,047,904	717,338	1,765,242
544,988	738,543	203,345	889,546	1,092,891
1,198,603	1,659,393	781,032	2,073,820	2,854,852
1,049,424	2,399,644	2,129,878	2,705,984	4,835,862
1,935,712	2,302,872	583,313	3,230,085	3,813,398
3,572,959	5,189,057	1,837,476	5,280,859	7,118,335
1,275,507	3,081,681	2,365,543	2,870,739	5,236,282
789,917	1,113,557	337,324	1,413,333	1,750,657
850,892	1,757,714	1,556,352	2,014,929	3,571,281
1,050,240	2,330,700	1,480,276	1,813,827	3,294,103
1,484,053	2,802,110	1,881,637	3,384,316	5,265,953
1,318,072	1,981,054	759,633	2,426,491	3,186,124
420,795	1,053,537	723,263	515,942	1,239,205
1,490,563	2,566,967	1,348,113	2,055,757	3,403,870
1,061,599	3,290,793	4,065,142	2,433,034	6,498,176
2,904,880	6,152,005	3,910,541	4,992,890	8,903,431
1,367,840	2,041,918	899,658	2,744,463	3,644,121
790,251	1,780,852	1,174,960	1,724,805	2,899,765
575,490	974,007	473,567	913,189	1,386,756
1,135,631	1,163,657	114,899	1,508,430	1,623,329

Table 3: Uncompensated Care Charges for PFY02

Hospital	Inpatient Emergency Bad Debt	Inpatient Free Care	Total Allowable Inpatient Free Care	Outpatient Emergency Bad Debt
Mass. General Hospital Corp.	$ 5,276,478	$ 29,866,954	$ 35,143,432	$ 5,726,281
Mercy Hospital	739,635	3,359,442	4,099,077	1,005,832
Metrowest Medical Center, Inc.	885,294	3,458,604	4,343,898	1,970,107
Milford-Whitinsville Hospital	126,336	1,076,147	1,202,483	1,171,741
Milton Hospital	131,701	264,172	395,873	410,596
Morton Hospital	192,217	823,432	1,015,649	949,666
Mount Auburn Hospital	700,263	2,483,451	3,183,714	1,111,062
Nantucket Cottage Hospital	22,784	109,738	132,522	219,784
New England Baptist Hospital	-	268,658	268,658	-
New England Medical Center	686,704	7,130,647	7,817,351	(33,784)
Newton-Wellesley Hospital	397,680	2,067,701	2,465,381	762,099
Noble Hospital	115,549	547,200	662,749	421,633
North Adams Regional Hospital	91,731	694,364	786,095	394,068
Northeast Hospital Corporation	-	4,590,579	4,590,579	1,353,767
Quincy Hospital	842,162	1,682,854	2,525,016	1,401,506
Saint Vincent Hospital	1,460,943	3,907,787	5,368,730	2,287,077
Saints Memorial	205,208	1,350,873	1,556,081	1,084,390
Salem Hospital	360,317	2,135,658	2,495,975	1,899,683
South Shore Hospital, Inc.	565,137	1,007,552	1,572,689	2,200,214
Southcoast	1,274,602	4,961,160	6,235,762	3,455,697
St. Anne's Hospital	272,881	752,219	1,025,100	1,491,143
St. Elizabeth's Hospital	341,865	3,921,700	4,263,565	435,763
Sturdy Memorial Hospital	182,986	668,880	851,866	1,037,325
UMass Memorial	2,247,959	11,001,547	13,249,506	5,757,934
Union Hospital	287,474	1,777,891	2,065,365	1,604,989
Vencor-Boston	-	1,373,806	1,373,806	-
Vencor-North Shore	-	-	-	-
Winchester Hospital	102,208	199,985	302,193	1,189,010
Wing Memorial Hospital	131,887	663,048	794,935	406,102
Totals	**$ 48,404,686**	**$ 270,191,844**	**$ 318,596,530**	**$ 105,419,581**

Notes:

1. Free care data are based on uncompensated care claims data reported by the hospitals from October 2001 through September 2002 as of December 13, 2002.
2. Vencor-North Shore reported no free care charges for hospital FY02 (October 2001 through September 2002).
3. Bad debt is net of recoveries; therefore some facilities have negative bad debt.
4. All data are unaudited and subject to change with future updates and calculations.

Outpatient Free Care	Total Allowable Outpatient Free Care	Net Total Emergency Bad Debt	Net Total Free Care	Net Total Allowable Free Care
$ 36,968,119	$ 42,694,400	$ 11,002,759	$ 66,835,073	$ 77,837,832
912,755	1,918,587	1,745,467	4,272,197	6,017,664
6,108,564	8,078,671	2,855,401	9,567,168	12,422,569
1,236,730	2,408,471	1,298,077	2,312,877	3,610,954
190,962	601,558	542,297	455,134	997,431
1,602,043	2,551,709	1,141,883	2,425,475	3,567,358
2,050,632	3,161,694	1,811,325	4,534,083	6,345,408
486,294	706,078	242,568	596,032	838,600
237,940	237,940	-	506,598	506,598
9,265,562	9,231,778	652,920	16,396,209	17,049,129
673,054	1,435,153	1,159,779	2,740,755	3,900,534
254,415	676,048	537,182	801,615	1,338,797
1,049,416	1,443,484	485,799	1,743,780	2,229,579
1,920,734	3,274,501	1,353,767	6,511,313	7,865,080
1,489,652	2,891,158	2,243,668	3,172,506	5,416,174
2,635,287	4,922,364	3,748,020	6,543,074	10,291,094
1,650,189	2,734,579	1,289,598	3,001,062	4,290,660
3,680,093	5,579,776	2,260,000	5,815,751	8,075,751
737,486	2,937,700	2,765,351	1,745,038	4,510,389
6,033,768	9,489,465	4,730,299	10,994,928	15,725,227
1,845,184	3,336,327	1,764,024	2,597,403	4,361,427
1,093,998	1,529,761	777,628	5,015,698	5,793,326
948,397	1,985,722	1,220,311	1,617,277	2,837,588
9,494,050	15,251,984	8,005,893	20,495,597	28,501,490
1,777,312	3,382,301	1,892,463	3,555,203	5,447,666
-	-	-	1,373,806	1,373,806
-	-	-	-	-
961,966	2,150,976	1,291,218	1,161,951	2,453,169
816,164	1,222,266	537,989	1,479,212	2,017,201
$ 435,251,558	**$ 540,671,139**	**$ 153,824,267**	**$ 705,443,402**	**$ 859,267,669**

Table 4: Summary of PFY02 Uncompensated Care Charges*

Acute Care Hospitals	Private Sector Charges A	Uncompensated Care Percentage B	Annual Gross Liability to the Pool C = A x B	Total Free Care D	Cost-to-Charge Ratio E
Anna Jaques Hospital	$ 58,349,979	1.739%	$ 1,014,495	$ 2,460,448	50.47%
Athol Memorial Hospital	11,349,430	1.739%	197,326	804,398	52.28%
Baystate Medical Center	340,387,742	1.739%	5,918,111	16,746,748	49.81%
Berkshire/Hillcrest	98,853,271	1.739%	1,718,701	6,986,695	58.20%
Beth Israel Deaconess Med Center	597,130,954	1.739%	10,381,946	33,820,178	45.22%
Boston Medical Center	224,436,932	1.739%	3,902,146	235,493,961	65.82%
Brigham & Women's Hospital	814,634,327	1.739%	14,163,542	46,009,322	37.25%
Brockton Hospital	86,702,442	1.739%	1,507,442	15,748,752	47.05%
Cambridge/Somerville Hospital	71,205,327	1.739%	1,238,003	108,933,526	72.80%
Cape Cod Hospital	108,191,613	1.739%	1,881,060	6,324,205	66.73%
Caritas Norwood	99,747,061	1.739%	1,734,240	3,342,034	51.90%
Carney Hospital	40,508,840	1.739%	704,302	5,844,591	57.78%
Children's Hospital	614,672,224	1.739%	10,686,925	9,215,997	56.02%
Clinton Hospital	11,154,200	1.739%	193,931	1,481,993	45.88%
Cooley Dickinson Hospital	49,041,649	1.739%	852,657	2,751,643	59.97%
Dana-Farber Cancer Institute	182,704,835	1.739%	3,176,576	1,914,281	55.58%
Deaconess Glover Hospital	23,734,564	1.739%	412,658	578,352	41.34%
Deaconess Nashoba	21,773,902	1.739%	378,569	1,105,644	58.88%
Deaconess Waltham	62,898,509	1.739%	1,093,577	3,322,772	45.38%
Emerson Hospital	163,279,867	1.739%	2,838,846	2,867,816	34.73%
Essent Health/Merrimack Valley	22,740,256	1.739%	395,371	1,683,093	54.97%
Fairview Hospital	13,484,037	1.739%	234,439	1,068,087	53.52%
Falmouth Hospital	55,094,853	1.739%	957,900	2,667,955	54.26%
Faulkner Hospital	119,872,021	1.739%	2,084,140	4,995,063	43.42%
Franklin Medical Center	45,574,991	1.739%	792,384	4,083,299	48.82%
Good Samaritan Medical Center	84,419,957	1.739%	1,467,757	6,582,773	55.12%
Hallmark Health	153,516,233	1.739%	2,669,092	5,329,244	58.78%
Harrington Memorial Hospital	32,101,460	1.739%	558,128	1,565,095	62.78%
Health Alliance	83,601,039	1.739%	1,453,519	3,249,227	51.42%
Henry Heywood Memorial Hospital	54,814,186	1.739%	953,020	3,127,692	43.02%
Holy Family Hospital	100,280,241	1.739%	1,743,510	5,132,496	44.36%
Holyoke Hospital	45,280,206	1.739%	787,259	3,500,506	48.74%
Hubbard Regional Hospital	18,111,258	1.739%	314,889	1,255,741	49.35%
Jordan Hospital	106,336,893	1.739%	1,848,814	2,867,180	46.15%
Lahey Clinic Hospital, Inc.	312,898,697	1.739%	5,440,176	5,422,487	51.74%
Lawrence General Hospital	70,576,932	1.739%	1,227,077	8,192,048	52.10%
Lowell General Hospital	112,137,491	1.739%	1,949,665	3,540,877	43.46%
Marlborough Hospital	40,760,582	1.739%	708,679	3,103,038	38.65%
Mary Lane Hospital	19,721,110	1.739%	342,879	1,239,885	42.14%
Mass. Eye & Ear Infirmary	80,636,234	1.739%	1,401,972	1,432,574	67.61%

Allowable Free Care Costs F = D x E	IGT Adjustment G	IGT Net Allowable Free Care Costs H = F - G	Shortfall Allocation I	Annual Gross Liability from the Pool J = H - I	Net Annual Liability to or from the Pool K = J - C
$ 1,241,788	-	$ 1,241,788	$ 254,638	$ 987,150	$ (27,345)
420,539	-	420,539	46,906	373,633	176,307
8,341,555	-	8,341,555	1,590,741	6,750,814	832,703
4,066,256	-	4,066,256	596,923	3,469,333	1,750,633
15,293,484	-	15,293,484	2,297,443	12,996,041	2,614,096
155,002,125	51,982,393	103,019,732	2,234,199	100,785,534	96,883,388
17,138,472	-	17,138,472	2,627,941	14,510,531	346,989
7,409,788	-	7,409,788	435,338	6,974,450	5,467,008
79,303,607	18,200,000	61,103,607	902,934	60,200,673	58,962,670
4,220,142	-	4,220,142	718,648	3,501,494	1,620,434
1,734,516	-	1,734,516	430,287	1,304,228	(430,012)
3,377,005	-	3,377,005	342,408	3,034,596	2,330,294
5,162,802	-	5,162,802	1,308,336	3,854,466	(6,832,459)
679,938	-	679,938	48,403	631,536	437,605
1,650,160	-	1,650,160	245,677	1,404,483	551,826
1,063,957	-	1,063,957	442,852	621,106	(2,555,470)
239,091	-	239,091	94,916	144,174	(268,484)
651,003	-	651,003	103,033	547,970	169,400
1,507,874	-	1,507,874	235,849	1,272,025	178,447
995,992	-	995,992	362,789	633,204	(2,205,642)
925,196	-	925,196	176,751	748,445	353,074
571,640	-	571,640	67,929	503,711	269,273
1,447,632	-	1,447,632	257,823	1,189,810	231,910
2,168,856	-	2,168,856	266,806	1,902,050	(182,090)
1,993,467	-	1,993,467	232,367	1,761,100	968,716
3,628,424	-	3,628,424	344,982	3,283,443	1,815,685
3,132,530	-	3,132,530	919,380	2,213,150	(455,942)
982,567	-	982,567	165,836	816,731	258,602
1,670,753	-	1,670,753	311,869	1,358,884	(94,636)
1,345,533	-	1,345,533	181,349	1,164,184	211,164
2,276,775	-	2,276,775	349,839	1,926,936	183,426
1,706,147	-	1,706,147	263,961	1,442,186	654,927
619,708	-	619,708	76,608	543,100	228,211
1,323,204	-	1,323,204	284,069	1,039,135	(809,679)
2,805,595	-	2,805,595	1,145,290	1,660,305	(3,779,871)
4,268,057	-	4,268,057	360,113	3,907,944	2,680,867
1,538,865	-	1,538,865	359,769	1,179,096	(770,569)
1,199,324	-	1,199,324	120,802	1,078,522	369,843
522,488	-	522,488	66,609	455,878	112,999
968,563	-	968,563	325,566	642,998	(758,975)

Table 4: Summary of PFY02 Uncompensated Care Charges*

Acute Care Hospitals	Private Sector Charges A	Uncompensated Care Percentage B	Annual Gross Liability to the Pool C = A x B	Total Free Care D	Cost-to-Charge Ratio E
Mass. General Hospital Corporation	$ 1,022,179,171	1.739%	$ 17,771,995	$ 68,729,484	34.17%
Mercy Hospital	83,705,347	1.739%	1,455,333	6,594,241	44.47%
Metrowest Medical Center, Inc.	243,168,495	1.739%	4,227,820	11,981,809	34.19%
Milford-Whitinsville Hospital	114,179,268	1.739%	1,985,164	3,504,689	38.33%
Milton Hospital	29,580,262	1.739%	514,294	1,063,232	52.31%
Morton Hospital	77,413,843	1.739%	1,345,946	3,337,530	44.83%
Mount Auburn Hospital	139,739,971	1.739%	2,429,572	6,021,724	45.20%
Nantucket Cottage Hospital	10,591,491	1.739%	184,148	755,735	77.14%
New England Baptist Hospital	119,925,740	1.739%	2,085,074	251,187	46.07%
New England Medical Center	416,183,624	1.739%	7,235,927	16,717,329	37.88%
Newton-Wellesley Hospital	219,020,824	1.739%	3,807,979	3,217,804	45.77%
Noble Hospital	33,328,003	1.739%	579,453	1,193,389	48.17%
North Adams Regional Hospital	27,420,014	1.739%	476,735	1,457,082	57.72%
Northeast Hospital Corporation	138,891,964	1.739%	2,414,828	7,847,967	48.29%
Quincy Hospital	50,425,865	1.739%	876,723	4,788,073	53.47%
Saint Vincent Hospital	155,401,855	1.739%	2,701,876	10,696,821	41.28%
Saints Memorial	68,773,988	1.739%	1,195,731	4,165,695	45.91%
Salem Hospital	125,287,405	1.739%	2,178,294	7,698,886	58.41%
South Shore Hospital, Inc.	176,185,666	1.739%	3,063,231	4,805,456	58.90%
Southcoast	225,603,042	1.739%	3,922,420	15,886,358	56.53%
St. Anne's Hospital	57,924,390	1.739%	1,007,095	4,314,498	41.52%
St. Elizabeth's Hospital	119,038,148	1.739%	2,069,642	5,416,622	44.73%
Sturdy Memorial Hospital	77,189,069	1.739%	1,342,038	2,950,079	55.37%
UMass Memorial	522,822,362	1.739%	9,089,988	26,255,476	46.55%
Union Hospital	53,605,237	1.739%	932,001	4,983,042	48.35%
Vencor-Boston	16,415,602	1.739%	285,408	804,002	48.82%
Vencor-North Shore	3,951,350	1.739%	68,700	-	48.82%
Winchester Hospital	178,046,636	1.739%	3,095,586	1,858,489	45.49%
Wing Memorial Hospital	19,053,677	1.739%	331,274	1,799,911	67.39%
Totals	**$ 9,777,768,654**	**1.739%**	**$ 170,000,000**	**$ 804,888,326**	

Notes:

1. Private sector charges and free care data are based on uncompensated care claims data reported by the hospitals from June 2001 through May 2002 as of the September PFY02 calculation.
2. Cost to charge ratios are from the September PFY02 calculation.
3. All data are unaudited and subject to change with future updates and calculations.

Allowable Free Care Costs F = D x E	IGT Adjustment G	IGT Net Allowable Free Care Costs H = F - G	Shortfall Allocation I	Annual Gross Liability from the Pool J = H - I	Net Annual Liability to or from the Pool K = J - C
$ 23,484,865	-	$ 23,484,865	$ 3,200,479	$ 20,284,386	$ 2,512,391
2,932,459	-	2,932,459	518,116	2,414,343	959,010
4,096,580	-	4,096,580	607,601	3,488,980	(738,840)
1,343,347	-	1,343,347	271,934	1,071,413	(913,751)
556,177	-	556,177	162,209	393,967	(120,326)
1,496,215	-	1,496,215	330,124	1,166,091	(179,855)
2,721,819	-	2,721,819	495,637	2,226,182	(203,390)
582,974	-	582,974	48,620	534,354	350,206
115,722	-	115,722	115,722	-	(2,085,074)
6,332,524	-	6,332,524	1,315,979	5,016,545	(2,219,382)
1,472,789	-	1,472,789	521,827	950,962	(2,857,017)
574,855	-	574,855	134,167	440,689	(138,765)
841,028	-	841,028	147,962	693,066	216,331
3,789,783	-	3,789,783	549,917	3,239,866	825,038
2,560,183	-	2,560,183	296,265	2,263,918	1,387,195
4,415,648	-	4,415,648	633,253	3,782,394	1,080,519
1,912,471	-	1,912,471	321,652	1,590,819	395,088
4,496,919	-	4,496,919	626,089	3,870,830	1,692,536
2,830,414	-	2,830,414	736,615	2,093,799	(969,432)
8,980,558	-	8,980,558	1,316,741	7,663,817	3,741,397
1,791,380	-	1,791,380	301,563	1,489,816	482,721
2,422,855	-	2,422,855	823,725	1,599,130	(470,512)
1,633,459	-	1,633,459	277,744	1,355,715	13,676
12,221,924	-	12,221,924	2,315,738	9,906,186	816,198
2,409,301	-	2,409,301	278,658	2,130,642	1,198,641
392,514	-	392,514	92,537	299,976	14,568
-	-	-	-	-	(68,700)
845,427	-	845,427	467,512	377,915	(2,717,672)
1,212,960	-	1,212,960	123,809	1,089,151	757,877
$ 443,062,568	**$ 70,182,393**	**$ 372,880,175**	**$ 38,630,175**	**$ 334,250,000**	**$ 164,250,000**

Table 5: Community Health Center Payments for Uncompensated Care, Pool Fiscal Years 2001 and 2002

Community Health Center	PFY02*	PFY01	Difference	% Change
Boston Health Care for the Homeless Program	$ 465,444	$ 224,664	$ 240,780	107.17%
Brockton Neighborhood Health Center	1,370,866	919,728	451,138	49.05%
Children's Health Program	36,820	0	36,820	100.00%
Community Health Center of Franklin County	258,418	97,038	161,380	166.31%
Community Health Connection	101,786	0	101,786	100.00%
Dimock Community Health Center	295,425	247,278	48,147	19.47%
Family Health and Social Service Center	731,241	539,226	192,015	35.61%
Fenway Community Health Center	177,441	118,757	58,684	49.42%
Geiger-Gibson Community Health Center**	412,818	358,902	53,916	15.02%
Great Brook Valley Health Center	4,386,050	2,855,361	1,530,689	53.61%
Greater Lawrence Family Health Center	1,878,764	1,513,050	365,714	24.17%
Greater New Bedford Community Health Center	1,133,664	957,401	176,263	18.41%
Harvard Street Neighborhood Health Center	522,571	688,180	-165,609	-24.06%
Health First Family Care Center, Inc.	521,041	349,006	172,035	49.29%
Hilltown Community Health Center	221,497	160,279	61,218	38.19%
Holyoke Health Center, Inc.	437,983	420,535	17,448	4.15%
Joseph M. Smith Community Health Center	905,212	817,698	87,514	10.70%
Justice Resource Institute	60,896	13,342	47,554	356.42%
Lowell Community Health Center	590,868	555,514	35,354	6.36%
Lynn Community Health Center	1,617,023	1,014,760	602,263	59.35%
Manet Community Health Center	549,258	587,160	-37,902	-6.46%
Mattapan Community Health Center	839,830	884,921	-45,091	-5.10%
Neponset Health Center	478,833	458,468	20,365	4.44%
North End Community Health Center	154,596	126,097	28,499	22.60%
North Shore Community Health Center	421,499	319,457	102,042	31.94%
O'Neil Health Clinic, Inc.	51,107	32,277	18,830	58.34%
Outer Cape Health Services, Inc.	303,315	325,349	-22,034	-6.77%
Roxbury Comprehensive Community Health Center	674,695	726,702	-52,007	-7.16%
South Cove Community Health Center	1,043,931	724,063	319,868	44.18%
South End Community Health Center	336,991	291,804	45,187	15.49%
Springfield Southwest Community Health Center	219,717	282,673	-62,956	-22.27%
Stanley Street Treatment and Resources	172,096	123,537	48,559	39.31%
Upham's Corner Health Center	487,068	538,864	-51,796	-9.61%
Whittier Street Neighborhood Health Center	610,312	475,698	134,614	28.30%
Total	**$ 22,469,076**	**$ 17,747,789**	**$ 4,721,287**	**26.60%**

*Based on actual data of 12 months (October 2001-September 2002)

**Geiger-Gibson includes the following extrapolated for 12 months:
—Lower Cape off-site dental services
—Martha's Vineyard off-site dental services

gency bad debt. These data are reported for both inpatient and outpatient uncompensated care services. Partial free care and medical hardship together make up approximately 1.6% of the Pool, and are included in Table 3 (on pages 10-13) under "Free Care."

PFY02 Uncompensated Care Pool Calculation

As shown in Table 4 (on pages 14-17), each hospital's annual gross liability to the Pool (column C) is based on its private sector charges (column A), which it reports to the Division. Because each hospital's liability is based on its private sector charges, hospitals that treat more private patients make larger payments to the Pool. Each month, the Division calculates a uniform percentage sufficient to generate $170 million in annual Pool funding. This percentage is currently 1.739% (column B).

Each hospital is paid for its uncompensated care based on its reasonable costs and the availability of funding. Hospitals report their free care charges to the Division (column D). The Division adjusts the free care charges using the ratio of each hospital's reasonable costs to charges (column E), calculated by the Division based on each hospital's mark-up of charges over costs, and its efficiency relative to other hospitals. The result of this adjustment is the hospital's allowable free care costs (column F).

Hospitals that receive payments for free care through an intergovernmental funds transfer (IGT) (column G) use those funds before accessing the Pool to cover any remaining free care costs (column H). When there is a shortfall (when there is insufficient funding in the Pool to pay providers for the uncompensated care they provide), the shortfall is allocated so that hospitals with a greater proportional requirement for Pool funds receive a greater proportional share of Pool payments (column I). The shortfall allocation is applied to the provider's allowable free care costs to calculate the hospital's annual gross liability from the Pool (column J).

Finally, for informational purposes, Table 4 includes each hospital's net annual liability to or from the Pool, calculated by subtracting the hospital's gross liability to the Pool from its gross liability from the Pool (column K). However, hospitals make and receive payments based on the gross amounts.

Community Health Center (CHC) Payments for Uncompensated Care PFY02

Until October 1, 2001, CHCs were paid by the Pool for the free care services they provided according to each center's 1995 Federally Qualified Health Center (FQHC) rate, or in the case of a non-FQHC approved health center, a rate based upon a substitute annual cost report in the same format (see Table 5 on page 18). As of October 1, 2001, the Division adopted amendments to its regulations that modified this rate. All CHCs are now paid $85.47 for individual medical visits.

Section 5: Demonstration Projects

Chapter 47 of the Acts of 1997 authorized the Division to allocate up to $10 million of Pool funds per fiscal year for demonstration projects designed to demonstrate alternative approaches to improve health care and reduce costs for the uninsured and underinsured. Each demonstration project was required to demonstrate the potential to save the Pool at least $1 for every dollar it received in funding. Chapter 47 also designated specific funds for three programs: the Ecu-Health Care project, the Hampshire Health Access project, and the Massachusetts Fishermen's Partnership, Inc. The Division funded eight additional demonstrations in PFY02.

Ecu-Health Care, Inc. and Hampshire Health Access

The Division provides $40,000 annually in Pool funds to the Ecu-Health Care project in North Adams and to the Hampshire Health Access project in Northampton. These programs help link local residents with affordable and accessible health care by assessing their eligibility for state programs such as MassHealth and the Children's Medical Security Plan (CMSP). If applicants are not eligible for a state program, they are referred to local physicians who have agreed to treat patients at a reduced or no charge. In the state FY03 budget the legislature extended these projects for an additional year.

The Massachusetts Fishermen's Partnership, Inc.

The Fishing Partnership Health Plan (FPHP) offers fishermen and their families the opportunity to purchase health insurance at a reduced rate, made possible through subsidized premiums provided by state and federal appropriations. The FPHP is a freestanding trust fund that operates separately from the two primary sponsoring organizations: Caritas Christi Health Care System and the Massachusetts Fishermen's Partnership, Inc. It is funded by the U.S. Department of Commerce and by $2 million of Pool funds for each of five years, and bears all financial risk for the program. In 2002, state legislature allocated $3 million of Pool funds for FY03.

The FPHP contracts with Tufts Health Plan and offers fishermen and their families a comprehensive benefit package that includes access to the Tufts network of providers, mental health services, and pharmacy coverage. All fishermen, regardless of health status or current insurance coverage, may enroll in the plan. FPHP offers four tiers of membership depending on the income of the fishermen. Tier one members, who constitute approximately 40% of the members, receive the most subsidy, equal to approximately 40% of the premium. Tier four members, constituting a little over 20% of the members, receive no premium subsidy.

Over 1,200 fishermen and their families are enrolled. The FPHP did not meet cost neutrality in either of two methodologies used by the Division to evaluate the program.

Table 6: PFY02 Pool Payments to Demonstration Projects to Date

	Maximum Obligation	Expended	Balance
Legislative Contracts			
Ecu-Health Care, Inc.	$40,000	$40,000	$0
Hampshire Community Action Commission	$40,000	$30,000	$10,000
Fishing Partnership Health Plan Corporation	$2,000,000	$2,000,000	$0
Health Care for All*	$50,006	$48,659	$1,347
Behavioral Health Network, Inc.**	$571,269	$554,961	$16,308
Contracts Ended as of September 30, 2002			
Boston Health Care for the Homeless	$380,046	$245,172	$134,874
Boston Public Health Commission	$397,239	$279,739	$117,500
Falmouth Free Clinic	$205,937	$204,674	$1,263
Family Health Center of Worcester	$395,996	$271,503	$124,493
Great Brook Valley Health Center	$400,000	$355,253	$44,747
Lynn Community Health Center	$524,502	$490,672	$33,830
South Cove Community Health Center	$161,846	$109,863	$51,983
Total	**$5,166,841**	**$4,630,496**	**$536,345**

Notes:
*contract began May 25, 2000
**contract began December 22, 2000 (75% of $761,692 based on a 12 month period)

Demonstrations for Improving Care and Reducing Costs for Uninsured Individuals

In the Fall of 1999, the Division began funding seven programs developed to achieve at least one of three related goals: reduce preventable hospitalizations by providing primary care for patients with ambulatory care sensitive conditions; improve coordination of care for patients with multiple or chronic conditions; and provide services in a more efficient or appropriate manner. The programs employ strategies and protocols tailored to the unique characteristics of the uninsured. Program activities include efforts to modify patients' behaviors so they can better manage their diseases, provision of pharmaceuticals, and coordination of care among health care providers. The contracts ended on September 30, 2002. The Division has begun conducting preliminary analyses of the efficiency and effectiveness of these demonstrations.

Health Care for the Homeless

Boston Health Care for the Homeless uses an intensive nurse practitioner case management model to provide care to 30

severely chronically ill, homeless people. In order to be enrolled in this program, homeless patients must have been homeless for at least six months and had at least one acute care medical hospitalization in the past year. Nurse practitioners are responsible for providing and coordinating care. This includes primary care, behavioral health care and oral health care at homeless health care clinics. Case managers coordinate health care and other services at soup kitchens, shelters, street and van outreach, hospital ambulatory clinics, respite care homes, detoxification and recovery sites, and DPH and DMH substance abuse programs. At the end of PFY02, a total of 41 patients were enrolled in this program. The program had lower-than-expected enrollment because the program's intensive screening efforts were successful in determining that many potential enrollees of the program were eligible for other programs, most frequently Medicaid.

Boston Public Health Commission

The Boston Public Health Commission uses different types of case managers to coordinate care for three target groups of patients. The Father Friendly component targets low-income fathers who are not eligible for MassHealth. The Addiction Services component targets individuals with substance abuse problems. The Homeless Services component manages the care of homeless individuals who typically rely on emergency rooms as their usual source of health care. At the end of PFY02, a total of 221 patients were enrolled in Boston Public Health Commission's programs.

Cape Cod Free Clinic
(formerly Falmouth Free Clinic)

Cape Cod's Project Stay Healthy operates within the Cape Cod Free Clinic, a clinic in Falmouth staffed primarily by volunteers. This demonstration provides case management services for people with chronic conditions such as asthma, depression, hypertension, and osteoarthritis. A nurse practitioner coordinates primary care, pharmacy assistance and specialist referrals for eligible individuals. At the end of PFY02, a total of 146 patients were enrolled in Cape Cod's Project Stay Healthy program.

Family Health Center

The Family Health Center uses a multidisciplinary team of doctors, mid-level practitioners, medical assistants and case managers to coordinate care for patients with the following conditions: asthma, diabetes, hypertension, hypertension/diabetes and cellulitis. At the end of PFY02, a total of 308 patients were enrolled in Family Health Center's program.

Great Brook Valley
Community Health Center

The Great Brook Valley Health Center uses registered nurses who integrate primary care and case management for patients with asthma, diabetes, hypertension and diabetes/hypertension. At the end of PFY02, a total of 1,021 patients were enrolled in Great Brook Valley Health Center's program.

Lynn Community Health Center

The Lynn CHC is primarily a pharmacy demonstration project. Lynn CHC works with a neighborhood pharmacy that purchases drugs under Section 340B of the Public Health Service Act to provide medications to low-income uninsured or underinsured individuals. This project has a case managed component and a non-case managed component. Patients receive case management if they have chronic and complex conditions that require close monitoring and coordination of their care. At the end of PFY02, a total of 4,529 patients utilized the Lynn CHC Free Care Pharmacy Program; approximately 120 of these patients were case managed. Division staff has developed a computerized cost-neutrality model and

have begun to evaluate the Lynn pharmacy program.

South Cove Community Health Center

The South Cove Community Health Center in Boston is a Chinatown-based agency that primarily serves Asians. A nurse case manager coordinates care for patients with asthma, diabetes, hypertension or combinations of the three conditions. Translators are used to help uninsured and underinsured individuals obtain access to needed care and to negotiate the health care system. At the end of PFY02, a total of 133 patients were enrolled in South Cove's Chronic Care Program.

Behavioral Health Pathways

The goal of the Behavioral Health Pathways (BHP) project, developed by Behavioral Health Network (BHN), is to provide mental health and substance abuse services to the uninsured, to prevent and reduce the need for unnecessary and expensive acute care. In addition to mental health and substance abuse admissions, this includes the treatment of people who are hospitalized for a somatic condition and for whom appropriate mental health care would reduce the need for acute (non-mental health) inpatient care.

Located in Springfield, BHN is collaborating with area hospitals and health centers to identify and serve their target population. BHP screens outpatients, inpatients and ER patients to identify eligible people and provides case management, medications and intensive support (day treatment, outpatient MH visits, etc.).

Section 6: PFY02 Pool Status

The Division of Health Care Finance and Policy projects free care costs and Pool shortfalls or surpluses on a regular basis. Projecting free care costs is extremely difficult because of the large number of factors that can affect final amounts. These factors are discussed below.

First, the Pool is the payer of last resort. The Pool pays for any medically necessary service provided by an acute hospital or community health center to a low-income uninsured or underinsured person that is not covered by another payer. Therefore, if there are any changes in enrollment or services covered by any other public or private payer, the changes will affect the Pool. Changes in other programs, such as MassHealth, often are not announced publicly until after they have taken effect, and even then, it is very difficult to quantify the direct impact that the change will have on the Pool.

Second, because most private insurance is accessed through employment, changes in employment levels, types of employees hired (full-time versus contracted or part-time), and/or the level of benefits offered will affect the Pool.

Third, the Pool is required by law to pay providers on a fee-for-service basis. If the amount a provider bills to the Pool increases by 50% in a particular month, the Pool must reimburse the hospital for the increased amount. A provider may bill higher amounts for many reasons: expanded services, increased volume, an epidemic, installation of a new billing system, and so on.

Finally, the Pool is not a program, and it does not enroll members. The Division cannot project costs based on enrollment per member per month (PMPM), multiplied by cost PMPM, as health plans do. Because people often apply for free care after they have received a service, the Pool has not implemented pre-admission certifications and other methods of utilization review. As a result, the Division does not get advance warning of high-cost procedures being billed to the Pool.

Table 7 on page 26 shows the various sources of Uncompensated Care Pool funding and how this funding has been used for payments and reserves over time.

Table 7: Uncompensated Care: Sources and Uses of Funds (in millions)

Sources of Funds	PFY99*	PFY00*	PFY01**	PFY02**	PFY03**
Uncompensated Care Pool					
Hospital Assessment	215.0	215.0	215.0	170.0	170.0
Surcharge on Payments to Hospitals	100.0	100.0	100.0	100.0	100.0
State Appropriation	30.0	30.0	30.0	30.0	45.0
Total Uncompensated Care Pool	345.0	345.0	345.0	300.0	315.0
Other Funds					
Intergovernmental Transfer (IGT)	70.0	70.0	70.0	70.0	70.0
c.495 §56 Compliance Liability Funds	-	15.0	1.1	0.0	0.0
Prior Fiscal Year Surplus Transfer	-	9.0	2.0	0.0	0.0
Transfer from Medical Security Trust Fund		15.0	25.0	90.0	
Transfer from the Tobacco Settlement Fund				12.0	30.0
Total Uncompensated Care Funds Available	415.0	454.0	443.1	472.0	415.0
Uses of Funds					
Payments					
Hospital Free Care Costs	381.9	383.4	401.8	444.2	477.1
CHC Free Care Costs	14.5	15.9	17.7	22.4	25.4
Impact of MassHealth Basic***					75.0
Demonstration Projects	3.3	5.2	5.5	5.0	2.8
Transfer to Children's & Seniors' Health Care Assistance Fund	11.8	46.3	44.3	33.7	-
Audit Adjustments	-	(3.9)	(4.0)	(4.1)	(4.7)
Reserves					
Doubtful Accounts - Hospitals	-	-	1.0	1.0	1.0
Doubtful Accounts - Surcharge Payers	-	-	0.3	0.3	0.3
Data Collection	-	2.0	2.7	1.5	1.5
Surcharge Expenses	-	-	-	-	-
Other Reserves	-	-	-	-	-
Total Uses of Funds	**411.5**	**448.9**	**469.3**	**504.0**	**578.4**
(Shortfall) / Surplus	**3.6**	**5.1**	**(26.2)**	**(32.0)**	**(163.4)**

* PFY99 and PFY00 data is as of Preliminary Settlement.

** This is a projection. The final shortfall/surplus estimate can be higher or lower by up to 5%, depending upon the assumptions.

*** These cuts are effective 04/01/03. The PFY03 estimate is for six months (April-September 2003). Cost to Pool is based on FY02 MassHealth Basic spending adjusted to reflect Pool benefits, utilization and payment levels.

Section 7: Pool Settlements

The Uncompensated Care Pool makes monthly payments to hospitals and hospitals make monthly payments to the Pool on an estimated basis. The Division of Health Care Finance and Policy calculates the payment amounts based on a rolling average of each hospital's most recently reported 12 months of free care and private sector charges, adjusted for industry trends.

As required by M.G.L. c.118G, §18(h), the Division calculates the final payment amounts to and from the Pool after all hospitals' final audited Pool fiscal year data is available. The final payments made based on this final calculation are referred to as the "final settlement of the Pool fiscal year." At final settlement, a hospital pays the Pool or the Pool pays the hospital the difference between amounts that were paid previously and the actual amount that should have been paid, based on final data.

Factors that would cause the final payment to differ from the initial estimated payment include: a change in the amount of free care provided by the particular hospital or by all hospitals statewide, a change in the hospital's mark-up of charges over costs, a change in the hospital's overall payer mix, audit adjustments, and a change in the total funding available for uncompensated care statewide.

Final settlements cannot be completed until final audited free care charges, private sector charges, total charges, and total patient care costs are available for all hospitals. It often takes several years to resolve all outstanding audit issues for all hospitals, and as a result final settlements are often delayed.

In order to ensure that as little money as possible is held up until final settlement, the Division also conducts preliminary settlements. The Division conducts a preliminary settlement as soon as 12 full months of free care charges and private sector charges are available for the Pool fiscal year, as well as an updated cost to charge ratio. Conducting preliminary settlements helps prevent the need to transfer large unexpected dollar amounts upon final settlement.

Update

At the time that the administration of the Pool was transferred to the Division, final settlements with hospitals for payments to and from the Pool were behind schedule. The Division has since succeeded in settling PFY90 through PFY98. Preliminary settlements with hospitals are up-to-date, and the Division expects to final settle PFY99 and PFY00 during 2003. The Division interacts with hospitals and community health centers on a regular basis throughout the year to monitor free care charges and costs, which makes the settlement process more efficient. Final settlements with CHCs are not required.

Table 8 (on pages 28-29) illustrates the history and status of Pool settlements for the Division. The table identifies all Pool funding sources for each year as well as Pool expenses for that year, including transfers

Table 8: Uncompensated Care Pool Settlements

Pool Fiscal Year	Settlement Status	Hospital Assessment Funding	Surcharge Funding	State Funding	Additional Funding**		IGT	Children's & Seniors' Fund
**2003	Oct '03 Calculation*	$170,000,000	$100,000,000	$45,000,000	$30,000,000	e	$70,000,000	$0
**2002	Sep '02 Calculation*	170,000,000	100,000,000	30,000,000	102,000,000	d	70,000,000	33,750,000
**2001	Jul 2001 Interim*	215,000,000	100,000,000	30,000,000	26,100,000	c	70,000,000	44,250,000
**2000	Jan 2001 Interim*	215,000,000	100,000,000	30,000,000	39,000,000	b	70,000,000	46,250,000
**1999	Jan 2000 Interim*	215,000,000	100,000,000	30,000,000			70,000,000	11,750,000
1998	FINAL	215,000,000	100,000,000	30,000,000	(5,000,000)	a	70,000,000	
1997	FINAL	315,000,000		15,000,000	12,500,000		17,500,000	
1996	FINAL	315,000,000		15,000,000				
1995	FINAL	315,000,000		15,000,000				
1994	FINAL	315,000,000		15,000,000				
1993	FINAL	315,000,000		15,000,000				
1992	FINAL	300,000,000		35,000,000				
1991	FINAL	312,000,000		-				
1990	FINAL	312,000,000		-				

Note: All amounts are in dollars ($).

* Amounts subject to change at Final and/or Interim Settlement.
** Reserves and Expenses includes funds set aside for Special Programs (e.g. Demonstration Projects).

a. Portion of PFY Surplus transferred to PFY00 ($9,000,000).
b. For PFY00—in addition to Section 56 funds, also included was $9,000,000 from PFY98 surplus (see reduction to PFY98 in this column) and $15,000,000 in FY01 state budgeted relief.
c. For PFY01—in addition to Sect 56 funds, also included was $10,000,000 in FY01 state budgeted relief and $15,000,000 in FY02 state budgeted relief.
d. For PFY02—the FY02 state budget provided $45,000,000 to offset reduction in hospital assessment and an additional $45,000,000 in free care cost funding. The FY03 state budget provided an additional $12,000,000 for free care funding (shortfall relief).
e. For PFY03—the FY03 state budget provided $30,000,000 in shortfall relief from the Tobacco Fund.

Reserves and Expenses***	Community Health Center Payments	Balance Payable to Hospitals	Allowable UC Costs	Surplus/ (Shortfall)	Percent Recognized	Hospital Uniform Assessment
$7,500,000	$27,500,000	$380,000,000	$443,689,758	($63,689,758)	86%	1.72%
12,000,000	22,000,000	404,250,000	442,880,175	(38,630,175)	91%	1.74%
9,500,000	17,500,000	369,850,000	410,551,566	(40,701,566)	90%	2.37%
7,700,000	15,735,998	384,314,002	396,848,612	(12,534,610)	97%	2.68%
2,958,178	14,491,604	385,800,218	381,874,175	3,926,043	100%	3.07%
2,543,188	16,026,457	391,430,355	386,596,504	4,833,851	100%	3.52%
-	16,031,038	343,968,962	448,459,137	(104,490,175)	77%	5.74%
1,284,269	15,168,235	313,547,496	467,290,626	(153,743,130)	67%	6.00%
4,065,970	12,996,321	312,937,709	446,123,716	(133,186,007)	70%	6.54%
5,752,348	10,174,420	314,073,232	422,996,582	(108,923,350)	74%	6.89%
741,639	7,660,677	321,597,684	391,636,164	(70,038,480)	82%	6.93%
3,347,273	4,377,067	327,275,660	340,323,322	(13,047,662)	96%	8.51%
1,221,000		310,779,000	442,492,755	(131,713,755)	70%	9.86%
630,152		311,369,848	411,641,176	(100,271,328)	76%	10.18%

to the Children's and Seniors' Health Care Assistance Fund, payments to CHCs, and the resulting balance available to pay hospitals. Payments for the Division's demonstration programs are included in Reserves and Expenses, along with other expenses related to administering the Pool. The shortfall amount is the amount by which allowable uncompensated care costs incurred by hospitals exceed the available Pool funds. Health care reform initiatives and the strong economy are responsible for the elimination of the shortfall for PFY98 and PFY99. Projections for PFY00 and PFY01 demonstrate the likely recurrence of shortfalls. PFY00, however, has demonstrated a shortfall in preliminary settlement. Projections for the pool fiscal years of 2001, 2002 and 2003 demonstrate the continuance of a shortfall. The percent recognized is the percent of hospitals' allowable free care costs that were paid by the Pool that year. The last column indicates the steadily decreasing percentage of the uniform assessment on hospitals' private sector charges, which generates each hospital's liability to the Pool (for additional information, please see the explanation of Table 3 on pages 10-13).

Section 8: Pool Management Initiatives

The Division has undertaken a number of initiatives to improve the efficiency and effectiveness of Pool operations. This section provides an update on these initiatives.

Eligibility

Since October 1998, providers have used a streamlined and clarified eligibility determination process along with standard application forms for free care and medical hardship assistance. All applicants for free care are asked a set of questions that indicate possible eligibility for other assistance programs, such as MassHealth, and providers are required to assist applicants in applying for these programs. The free care application forms are available in English, Spanish, Portuguese, Haitian Creole, Chinese, Vietnamese, and Khmer, and are located on Division's web site for easy download.

The Division has continued its free care application training program for providers, holding training sessions in numerous locations: at the Division, on-site at provider locations, and at regional public health offices. The purpose of these sessions has been to teach providers about the free care eligibility determination process, the Division's screening requirements, and how to use the free care application forms. The Division's *The Free Care Application: A Guide for Acute Hospitals and Community Health Centers*, is distributed to all free care providers and is also available on the Division's web site for download. The free care help line continues to receive about sixty calls per week, of which about two-thirds are from provider staff and about one-third is from individuals applying for free care. The Division also continues to publish its quarterly newsletter, *Free Care Notes*.

In May 2002, the Division published the 2002 edition of *Access to Health Care in Massachusetts: A Catalog of Health Care Programs for Uninsured and Underinsured Individuals*. This latest edition of the catalog contains updated information on over 75 programs as well as information on any new programs for uninsured or underinsured persons, including programs sponsored by public and private organizations. This catalog is intended as a tool to assist hospital and community health center staff in their screening efforts, in order that they may be able to direct patients to other more organized and comprehensive sources of coverage besides free care. Copies of the catalog are distributed to all hospitals and community health centers, along with many other interested organizations. Currently, the Division is working to update the information listed in the catalog. This version will include some new programs and will be available in 2003. To order copies of the current 2002 catalog contact the Division's Office of Communications at (617) 988-3125 or email order requests to shelley.fortier@state.ma.us.

Data Collection

The Division collects patient level data on individuals who access health care

through the Pool. Access to patient level data helps the Commonwealth target programs more closely to patients' needs. It also allows the Division to conduct regular analyses, verify eligibility, and target audit efforts. The Division developed software to collect and analyze these data and trained providers on its use. Hospitals and community health centers are required to submit free care application and medical claims data to the Division according to Division specifications that are defined in regulation. In 2001, the Division added new features to the software based on input from providers, making it easier to submit all applications electronically.

All hospitals and community health centers use the Division's free care application software to verify free care eligibility and submit eligibility information to the Division. The Division is in the initial stages of analyzing information collected thus far from the nearly 381,000 free care applications received since October 2000 (see Table 9 below).

Current analyses focus on understanding the demographic characteristics of the people who access health care through the Pool and cross-referencing for eligibility in other public assistance programs. Current data indicate that the average family income for free care applicants is approximately

Table 9: Free Care Applications Collected 10-1-01 to 9-30-02

	Hospitals	CHCs	Total
Applications Collected	129,730	55,119	184,849
Gender			
Female Applications	54.7%	56.2%	55.1%
Male Applications	45.4%	43.8%	44.9%
Age			
18 and under	10.2%	12.5%	10.9%
19 - 24	15.2%	14.9%	15.1%
25 - 44	39.9%	42.6%	40.7%
45 - 64	24.4%	25.3%	24.6%
65+	10.4%	4.8%	8.7%
Qualified Applicants	118,744	45,606	164,350
Gender			
Female Applicants	54.5%	55.8%	54.8%
Male Applicants	45.5%	44.2%	45.2%
Age			
18 and under	10.7%	13.6%	11.5%
19 - 24	15.3%	15.1%	15.3%
25 - 44	39.8%	42.4%	40.6%
45 - 64	23.7%	23.9%	23.8%
65+	10.4%	4.9%	8.9%

$10,600 per year, and the average family size is approximately 1.7.

Fifty-five percent of free care applicants are female and 45% are male. Eleven percent of applicants are age 18 or under, 56% are ages 19-44, 24% are ages 45-64, and 9% are age 65 or over. Seventy-seven percent of free care applications include Social Security numbers.

In addition, 90% of free care applicants qualify for full free care, with 9% qualifying for partial free care, a tiny fraction qualifying for medical hardship (only 20 medical hardship applications have been received since December 1999), and the remainder are income ineligible. The Division has not yet received electronically any applications for medical hardship.

During PFY00, the Division also conducted preliminary wage match verifications with the Department of Revenue (DOR). During PFY01, the Division worked with DOR to refine wage match results and reporting. The Division now routinely verifies reported earned income on free care applications through matches with DOR.

The Division now accepts electronic UB92 claims data from hospitals for care billed to the Uncompensated Care Pool. Hospitals not yet submitting claims are working to modify their billing systems to comply with the Division's requirements. The Division's specifications for electronic claims submission are modeled after Medicare and Medicaid standards; however, some operational modifications needed to be made to hospital systems for Pool billing purposes. The Division is still in the process of implementing the claims data collection system at those community health centers that are not complying with the Division's requirements.

Strict confidentiality policies prohibit the release of patient specific information.

Audits

The Division increased its audit activity in PFY01 and activity has remained constant throughout 2002. Compliance with the Division's regulations both ensures fairness and increases accountability among providers. Audits also enhance the Division's ability to complete final settlements on outstanding Pool fiscal years.

The Division selects providers for audit based upon providers' historical billings to the Pool, free care application submissions, and other reporting requirements. Field audit teams visit hospitals and collect samples of free care applications and patient records to ensure that they comply with the laws and regulations governing free care.

The Division's audit activities have had an educational focus, emphasizing a collaborative effort between the agency and providers to learn and implement the regulations. A goal of the audits has been to identify issues and correct them systemwide through training sessions and newsletters. The Division has also used audits to inform Pool policy development. The Division has made adjustments to providers' payments from the Pool that will be implemented upon final settlement.

Section 9: Conclusion

Calculations contained in this report are based upon the most recently available Division of Health Care Finance and Policy data. If you have any questions about the data or calculations, or need additional information, please contact the Division. We welcome any comments about the usefulness of this report and suggestions for improvement. Comments may be submitted to Rachel Safford:

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